

Innovative Acquisition

A Strategy to Excel with Performance Based Acquisition

JIM STEELMAN

What is Innovative Acquisition (IA) in the Program Executive Office, Tactical Missiles (PEO, TM), and why is it needed? Some background will help answer these questions. The concept of IA actually began with former Secretary of Defense William J. Perry's military specifications and standards reform initiative, outlined in the "Perry Memo" released in June 1994. The reaction to the memo from the PEO, TM family was probably typical of other acquisition personnel in the Army. Some felt this was just another leadership initiative and would quickly fade as leadership changed. After all, existing practices were producing weapon systems satisfying our customers, we understood and had confidence in our normal practices, and we believed we could continue to excel if given adequate funding and freedom to manage. It would be foolhardy to change something that seemed to be working so well!

Despite workforce skepticism, we pressed on with establishment of strategic objectives and implementation consistent with the Perry Memo. We performed a detailed assessment of existing programs, management practices, and where we believed we should go over the next 20 years. Our objective became world-class excellence in performance based acquisition of TM. We decided implementation should provide immediate, aggressive change to use performance based acquisition along the lines of commercial-like management practices. Although we had used perfor-



A U.S. Marine Corps Hornet comes in on final approach to the USS George Washington.

M2A2 Bradley Fighting Vehicle.



mance specifications for some components, we were inexperienced with performance specifications and commercial practices for major item acquisition or support.

Policy — A First Step

One of our first steps invoking change was to issue policy mandating that all requirements be performance based. Even the use of commercial specifications or standards required waivers unless contractors proposed them. The waiver process to obtain approval to continue existing prac-

tices required demonstration of exceptionally sound, business-based rationale. Relatively few waivers were approved. Approvals were normally restricted to program waivers needed to support ex-

Steelman is the Program Executive Office (PEO), Tactical Missiles (TM) Standards Executive. He is also the PEO, TM Acquisition Reform Advocate and principal interface for industry relations. He holds a B.S. degree in Electrical Engineering from Tennessee Technological University. A graduate of DSMC's Program Management Course, he is Level III-certified in the Acquisition Corps for Systems Engineering and Program Management.



MGM-71 "TOW" (tube-launched, optically tracked, wire guided) missile system.

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The change from existing practices to commercial practices and implementation of the policy was controversial and in some cases strongly resisted. Implementation was sporadic since change generally became real for personnel only when new contracts were issued to replace legacy efforts. At the same time, our staffs were required to make fundamental change to use performance based methods; they were also faced with management of legacy programs, cul-



M47 Dragon Anti-Armor Missile system.

tural resistance from outside organizations, and reduced personnel and financial resources. This was a tough situation. Nevertheless, steady and sometimes spectacular progress was made.

Stuck On a Plateau

In January 1999, despite unwavering leadership by three successive PEOs, we found ourselves stuck on a plateau as we journeyed toward excellence in per-

formance based acquisition. We had notable successes in areas such as creation of performance specifications, teaming, automation, and other areas critical to performance based acquisition. However, the successes were frequently localized within specific Project Management Offices (PMO) and sometimes within elements of a PMO itself. The pace of change continued to be dictated by the rate of learning and slowed by the “not invented here” syndrome. We needed an “end run” to bypass resistance and avoid stagnation. The end run selected was the PEO, TM Innovative Acquisition Strategy for fiscal 1999. The goals of the strategy were: (1) establish common usage of a term which would strengthen the positive connotation of change; (2) transfer ownership of change



Multiple Launch Rocket System (MLRS)

isting multi-national agreements or to preserve existing advantageous business provisions such as pricing agreements. Other waiver approvals predominately

allowed use of a few, specific documents, with rationale based on safety, unique user requirements, or supportability needs.

from the PEO to PMOs; (3) raise the overall performance across the PEO to at least the highest levels demonstrated in individual PMOs; and (4) instill the practice of benefiting from lessons learned and expertise of others.

Goal 1 was addressed by use of the term “Innovative Acquisition” to replace the term “Acquisition Reform.” The emphasis shifted from what was required to what was possible using individual judgment and good business sense as guides. This was not a new message, and renewed emphasis was critical since the message had never been accepted by many! Under Innovative Acquisition, efforts were renewed to place authority and responsibility at the right levels within the PMOs, where judgment could be applied directly to challenges.

Goals 2, 3, and 4 were addressed by creation of two highly visible focus areas: Demonstration Projects (DP), and Centers of Excellence (COE). Assignments for DPs and COEs are shown in Figure 1. Program laydowns, the principal method to provide insight to leadership, have shown notable successes in the first nine months of the IA strategy, particularly from the demonstration projects.

Demonstration Projects

Demonstration project assignments were based on one of the following two criteria. The first criterion is recognition of need for improvement by a PMO in a specific area. The second criterion, applicable when successful performance had already been demonstrated, is recognition that significant improvements or great potential for benefit are still achievable in a specific area across the PEO, TM. Excellence, not merely success, is our goal as a world-class organization.

CCAWS

The Close Combat Anti-Armor Weapon Systems (CCAWS) demonstration project on performance specifications has resulted in PMO and contractor joint generation and release of performance specifications for Improved Tube-launched Optically Tracked Wire-guided (TOW) Missile Acquisition Subsystem (ITAS) and Improved Bradley Acquisi-

tion Subsystem (IBAS). This accomplishment was critical to the ITAS contractor logistics supportability approach combining use of performance specifications with contractual incentives on readiness. In the process, CCAWS has substantially increased our understanding of the appropriate role of performance specifications in achieving best value for missile life cycle acquisition.

Javelin

The Javelin team has significantly improved their already successful use of electronic data under their demonstration on electronic data exchange. Javelin uses the Internet to link the PMO network with the Javelin Joint Venture (JV) partners’ networks to manage the program using electronic data while protecting essential proprietary data of the JV partners. Javelin drawings, specifications, parts lists, engineering change data, contract data list items, and JAVTRAC logistics data are available electronically using the system. The Javelin team is now working to support Foreign Military Sales customers electronically and to complete three-dimensional data implementation on the missile, command launch unit, and training devices.

MLRS

The Multiple Launch Rocket System’s (MLRS) Total Cost of Ownership Reduction effort successfully addressed five of the Top 11 hardware cost drivers identified in their initial goal setting process. For example, a Line Replaceable Units (LRU) Reuse program was established. The concept is to take high dollar LRUs, which are being removed from the M270s (1st generation launcher) during the M270A1 (2nd generation) re-manufacturing process, upgrade them to repairable status, and then provide these to meet current demands at a reduced cost to the soldier/user. The LRU Reuse program resulted in a cost avoidance of \$23 million over 10 years for MLRS.

AGMS

The Air to Ground Missile System (AGMS) Commercial Practices demonstration project focused on use of commercial plastic encapsulated microcircuits (PEM) in missile applications. Their

efforts complement the work of the PEO, TM Integrated Process Team on use of PEMs. These two efforts have worked cooperatively to prepare a best business practice governing acquisition, use, and risk mitigation of PEMs in missile long-term nonoperating storage.

ATACMS/BAT

The Army Tactical Missile System/Brilliant Anti-Armor Submunition (ATACMS/BAT) Technology Insertion demonstration has resulted in an affordable approach to achieve required performance in evolutionary BAT seekers through technology insertion and exercise of options within contracts.

Centers of Excellence

We simply can not afford the expense and time to re-learn critical management lessons for which a PMO has already paid dearly. Part of the solution was establishment of Centers of Excellence (COE). The COEs were assigned to recognize critical innovative acquisition areas in which a PMO had demonstrated exceptional performance, and to foster an improved culture under which sharing and using lessons learned is standard practice. We realized lessons learned were infrequently shared between PMOs, and when shared, were rarely embraced. However, there was an existing and highly successful practice of exchanging lessons learned, and best practices between individuals within our PMOs. Unfortunately, this practice functioned sporadically because use was limited to cases where there was mutual, personal recognition of competence or where personal friendships existed.

Through COEs, we sought to broaden use of this practice and to achieve broader recognition of exceptional competence, greater sharing of knowledge, and improved capability across the PEO. Each COE is expected to offer assistance to other PMOs, educate other PMOs on COE practices and results, and be the principal PEO, TM representative for matters related to their COE.

One positive aspect of the COEs resulted from a PEO-wide town hall meeting hosted by MLRS in which they explained

their successful use of Partnering. MLRS is also performing exceptionally as a pilot program for paperless acquisition. Their efforts have resulted in identification and resolution of numerous challenges that otherwise would have been resolved individually and at great cost by other PMOs.

AGMS achieved the first 10-year warranty within the PEO, TM with the Longbow multi-year production contract, and have made their experience available to other PMOs. This warranty's incentive is structured to encourage the contractor to improve missile reliability throughout production.

Javelin is conducting onsite demonstrations and tutorials to inform other PMOs of Javelin experiences on electronic data interchange. ATACMS-BAT has substantially advanced awareness and capability of modeling and simulation within the PEO, TM and hosted visitors from within DoD and academia.

Although not as dramatic as results under demonstration projects, the COE results have been within the initial expectations of the PEO, TM. After all, the ultimate COE product is cultural change affecting fundamental perceptions and practices of our people. Achieving benefits by leading PMO personnel to seek and apply knowledge from others' experiences continues to be a primary goal. The good news is that progress is being made. Our people are replacing their initial reluctance with a willingness to share and benefit from one another's experiences.

Staying the Original Course

Where is the PEO, TM going with the IA strategy in fiscal year 2000? We are staying the original course but revising leadership methods to increase the focus on changes in business practices. Clearly, there are significant unrealized benefits from the COEs. We will continue to encourage actions to overcome cultural resistance to use of best practices and lessons learned. No new demonstration projects have been assigned other than to the HYDRA 70 PMO, which was not a part of the PEO, TM family when the IA strategy was implemented.

Instead, greater emphasis is being placed on institutionalization of IA successes and refinement of business practices with our industry partners. We will address program concerns that resulted from initial application of performance requirements. Finally, we will work more energetically with industry partners to mitigate risks from industry restructuring, and to achieve a better balance of risks and benefits from performance based acquisition. For example, all PMOs are working action items to improve risk mitigation by improved relation of program risks to technical changes, to implement more appropriate incentive structures, and to ensure supportability of our weapon systems under performance based acquisition.

The ability to change quickly, effectively, and efficiently is a primary characteristic of world-class organizations. Experi-

ence with IA has improved the ability of the PEO, TM family to manage change as a world-class acquisition organization. This improvement alone may prove more valuable in the long run than the benefits already achieved by individual programs in our PMOs. To sustain this improvement, the PEO, TM leadership recognizes the need to frequently reinforce IA objectives and to re-energize efforts when we find progress lagging expectations. The IA strategy is meeting this need for the PEO, TM by enabling continuous improvement of tactical missile acquisition practices. Our customers can expect no change in the long tradition of fielding superb and affordable tactical missiles to the soldier.

Editor's Note: The author welcomes questions or comments on this article. Contact him at jim.steelman@msl.redstone.army.mil.

Gansler Gets First DAU Honorary Professor Award



The Honorable Jacques S. Gansler, USD (AT&L) received the first Defense Acquisition University Honorary Professor Award starting the new millennium. Air Force General Frank J. Anderson, Jr., DSMC Commandant, presented it to him as keynote speaker at the convocation of the Advanced Program Management Class 00-3 on September 11 in Howell Auditorium. The award is presented to distinguished guest lecturers for their valuable contributions to DAU's education program and defense systems acquisition management.